

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
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FM AMEMBASSY ATHENS
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USMISSION OECD PARIS
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CINCUSAFE
CINCUSNAVEUR
CINCUSAREUR
USDOCOSOUTH

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EO 11652: NA
TAGS: EFIN ELAB EALR GR
SUBJECT: GREECE RE-EMPHASIZES FREE MARKET ECONOMY, NEED FOR
PRIVATE INVESTMENT AND INCOMES POLICY.

REF: A. 76 ATHENS A-180, B. ATHENS 1053

1. SUMMARY AND COMMENT: COORDINATION MINISTER PAPLIGOURAS SET
FORTH THE GOVERNMENT'S ECONOMIC PRIORITIES AND POLICIES FOR
1977 IN A STATEMENT ISSUED LAST SATURDAY. BY EMPHASIZING
THE GOG COMMITMENT TO A FREE MARKET ECONOMY, WHOSE
MOVING FORCE IS PRIVATE ENTERPRISE, HE AGAIN SOUGHT
TO CLARIFY THE GOVERNMENT'S BASIC ATTITUDE TOWARDS PRIVATE
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BUSINESS, AND THUS ALLAY CONCERNS WHICH MAY HAVE BEEN
DISCOURAGING NEW PRIVATE FOREIGN AND DOMESTIC INVESTMENT.
HE STATED CATEGORICALLY THAT THE GOVERNMENT BELIEVES THAT,
WHILE PROGRESSIVE REDUCTION OF INEQUALITIES IN INCOME
DISTRIBUTION IS DESIRABLE, THE COMMUNIST SOLUTION IS
AGAINST THE INTEREST OF THE WORKERS THEMSELVES AND UN-
ACCEPTABLE IN A DEMOCRATIC STATE. AT THE SAME TIME,

HE SAID, THE GOVERNMENT HAS AN OBLIGATION TO ENACT AND IMPLEMENT THE NECESSARY REGULATIONS AND CONTROLS TO ENSURE FREE COMPETITION AND THE ACHIEVEMENT OF ITS ECONOMIC AND SOCIAL GOALS.

THE EMBASSY BELIEVES THAT GOG ECONOMIC POLICIES APPEAR MEASURED AND REASONABLE, AND THAT CERTAIN OBSERVERS HERE AND ABROAD HAVE MADE TOO MUCH OF THE RECENT ANDREADIS AND NIARCHOS TAKEOVERS AND THEIR IMPLICATIONS FOR THE INVESTMENT CLIMATE GENERALLY. IN OUR VIEW, THESE WERE SPECIAL CASES, AND DO NOT REPRESENT ANY CREEPING TENDENCY TOWARD STATISM, BUT RATHER ARE PART OF AN HONEST ATTEMPT BY THE GOG TO REMOVE SOME OF THE MORE GLARING INEQUALITIES OF FREE-WHEELING CAPITALISM A' LA GRECQUE. THERE IS INDEED A TENDENCY TOWARD SOMEWHAT MORE GOVERNMENT CONTROL OVER ECONOMIC FORCES THAN MANY OF GREECE'S FLAMBOYANT ENTREPRENEURS ARE USED TO, OR WOULD LIKE TO SEE, BUT GOG POLICIES AND OBJECTIVES ARE NOT OUT OF LINE WITH THE PATTERN OF MOST WESTERN INDUSTRIAL DEMOCRACIES. IN OUR VIEW, THE GOG, IN ATTEMPTING TO RATIONALIZE AND MODERNIZE THE ECONOMY, PREPARE FOR FULL EC MEMBERSHIP, AND ACHIEVE REASONABLE SOCIAL GOALS, REMAINS WELL WITHIN THE CONTEXT OF TRADITIONAL WESTERN ECONOMIC/SOCIAL PHILOSOPHY. END SUMMARY AND COMMENT.

2. ACHIEVEMENTS AND GOALS: PAPALIGOURAS NOTED GREECE'S ECONOMIC ACHIEVEMENTS IN 1976, SPECIFICALLY THAT GDP GROWTH OF 5.8 PERCENT WAS CONSIDERABLY HIGHER THAN THE OECD AVERAGE, THAT INDUSTRIAL PRODUCTION ROSE BY 6.5 PERCENT LIMITED OFFICIAL USE

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FOR THE YEAR, AND THAT THE BALANCE OF PAYMENTS DEFICIT (OFFICIAL BORROWING) WAS REDUCED BY OVER ONE-THIRD. FOR 1977, IN AIMING FOR REAL GNP GROWTH OF FIVE TO SIX PERCENT, HE EMPHASIZED THE IMPORTANCE OF PRODUCTIVE INVESTMENT AND OF KEEPING PRICE INCREASES AROUND THE EUROPEAN AVERAGE (HE LATER GAVE A GOAL OF 10 PERCENT). TO ACHIEVE THE LATTER, PAPALIGOURAS OUTLINED SEVERAL POLICIES: GRADUAL ELIMINATION OF SUBSIDIES AND THOSE INTERMEDIARIES WHICH DISTORT FREE MARKET OPERATIONS; A RATIONAL INCOMES POLICY; AND AN ANTITRUST LAW TO ENSURE FREE COMPETITION.

3. ELIMINATION OF SUBSIDIES: NOTING THAT IN BOTH 1975 AND 1976, SUBSIDIES ON FEEDSTUFF AND LIVESTOCK AMOUNTED TO 3.5 BILLION DRACHMAS, PAPALIGOURAS SAID SUBSIDIES FOR BOTH DOMESTIC PRODUCTION AND IMPORTS WILL GRADUALLY BE ELIMINATED. THIS WILL INITIALLY CAUSE INCREASES IN THE CONSUMER PRICE INDEX, BUT OVER THE LONG RUN WILL BE OF GENERAL BENEFIT. AS A FIRST STEP, HE ANNOUNCED AN INCREASE

IN CORN PRICES TO FARMERS AND A DECREASE IN VEAL
SUBSIDIES. MEASURES WILL ALSO BE TAKEN TO TRIM WHOLE-
SALEERS PROFITS, SO THAT THE ENTIRE REDUCTION IN
SUBSIDIES WILL NOT BE BORNE BY THE CONSUMER.

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4. INCOMES POLICY: PAPALIGOURAS STRESSED THE IMPORTANCE
OF HOLDING WAGE INCREASES TO A LEVEL WHICH WILL NOT
ENDANGER THE ECONOMY. HE CITED THE RECENT NATIONAL
COLLECTIVE LABOR AGREEMENT, WHICH INCREASED THE MINIMUM
WAGES OF UNSKILLED WORKERS BY 15 PERCENT (ATHENS 1053),
AS REASONABLE AND IN LINE WITH GOVERNMENT INCOMES
POLICY. PAPALIGOURAS SAID THAT ECONOMIC REVIVAL
SHOULD STEM FROM STRENGTHENING THE LOWER INCOME GROUPS,
AND THAT THE GOVERNMENT SUPPORTS THE PRINCIPLE OF BI-
LATERAL MANAGEMENT-LABOR AGREEMENTS AS WELL AS ARBITRATION
DECISIONS WHICH ACHIEVE THIS END. HE COMMENTED
THAT HIGHER-SALARIED EMPLOYEES SHOULD NOT BE PERMITTED
TO SHOW LESS RESTRAINT THAN THE UNSKILLED WORKERS WHO
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ACCEPTED A 15 PERCENT INCREASE, AND THAT INCREASES TO HIGHER-PAID EMPLOYEES SHOULD DIMINISH PROGRESSIVELY UNTIL THE HIGHEST PAID RECEIVE NO INCREASE AT ALL. HE ADDED THAT THESE OBSERVATIONS APPLY SPECIFICALLY TO BANK AND PUBLIC UTILITY EMPLOYEES. (COMMENT: THE BANK AND PUBLIC UTILITY EMPLOYEES FEDERATIONS ARE CURRENTLY THREATENING STRIKE ACTION TO SUPPORT THEIR DEMANDS FOR WAGE INCREASES OF 25 AND 20-25 PERCENT RESPECTIVELY.)

5. ANTITRUST LAW: REFERRING TO THE ANTITRUST LAW WHICH WILL SOON BE SUBMITTED TO PARLIAMENT, PAPALIGOURAS SAID ITS PURPOSE IS TO PREVENT MONOPOLIES AND OLIGOPOLIES FROM THWARTING FREE-MARKET OPERATIONS THROUGH PRICE AGREEMENTS, MARKET SHARING, ETC. IT WILL NOT ONLY BENEFIT MEDIUM AND SMALL-SIZE TRADERS AND INDUSTRIALISTS, HE SAID, BUT WILL BE OF GENERAL BENEFIT TO THE ECONOMY.

6. FURTHER EMBASSY COMMENT: ALTHOUGH THE GENERAL CONTENT OF THIS STATEMENT REITERATED PREVIOUS DECLARATIONS OF ECONOMIC POLICY, THE EMPHATIC ASSURANCE OF THE GOG'S COMMITMENT TO A FREE-MARKET ECONOMY AND ITS REJECTION OF A "COMMUNIST SOLUTION" WAS SIGNIFICANT. THE GOVERNMENT IS CLEARLY CONCERNED ABOUT THE STAGNATION IN PRIVATE PRODUCTIVE INVESTMENT AND EVEN SOME DISINVESTMENT OF FOREIGN CAPITAL (SEE 76 ATHENS A-139). THIS PARTIALLY REFLECTS WORLDWIDE TRENDS, BUT IS MORE SPECIFICALLY A FUNCTION OF TENSIONS WITH TURKEY, OF FRUSTRATION WITH GREEK BUREAUCRACY AND ADMINISTRATIVE BOTTLENECKS, AND OF A DISTURBING TENDENCY FOR THE GOVERNMENT TO "CHANGE THE RULES IN THE MIDDLE OF THE GAME" (SEE 76 ATHENS 13125, 76 ATHENS A-96), E.G., ON RENEGOTIATING CERTAIN FOREIGN CONTRACTS SIGNED IN THE JUNTA YEARS, INVENTING NEW TAXES WHICH CIRCUMVENT SHELTERS GRANTED UNDER INVESTMENT INCENTIVE LAWS, ETC. WIDELY PUBLICIZED GOG ACTIONS AGAINST THE NIARCHOS AND ANDREADIS EMPIRES (SEE 76 ATHENS A-180, 76 ATHENS A-152) APPEAR BOTH SOCIALLY

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AND LEGALLY JUSTIFIABLE, BUT HAVE UNFORTUNATELY ALSO ADDED TO THE GENERAL CLIMATE OF UNCERTAINTY/HARRASSMENT WHICH AFFLICTS EVEN MANY RESPONSIBLE CORPORATE CITIZENS OF DOMESTIC AND FOREIGN ORIGIN. THERE IS SOME CONCERN THAT REPORTS ABROAD HAVE DAMAGED THE GOG IMAGE IN THE EYES OF POTENTIAL FOREIGN INVESTORS BY UNJUSTIFIABLY EXTRAPOLATING A GENERAL GOVERNMENT TENDENCY TOWARD

SOCIALISM/NATIONALIZATION FROM THE TWO RATHER SPECIAL
ANDREADIS AND NIARCHOS CASES. A PASSAGE IN A RECENT
FINANCIAL TIMES ARTICLE IS AN EXAMPLE: "SOME ECONOMIC
CIRCLES HERE (ATHENS) SEE THE LACK OF INDUSTRIAL INVESTMENT...
AS AT LEAST PARTLY DUE TO THE ABSENCE OF A CLEAR-CUT
ECONOMIC PROGRAM, AND THE GOVERNMENT'S DABBING
IN SOCIALIST-ORIENTED POLICIES." IT IS THESE FEARS THAT
PAPALIGOURAS SEEKS TO ALLAY.
KUBISCH

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Message Attributes

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Copy: SINGLE
Sent Date: 18-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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